

February 10, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

**Niagara Peninsula Energy Inc.
Application for Final Disposition of Smart Meter Costs
Board File No. EB-2013-0359**

Dear Ms. Walli,

In accordance with Procedural Order No. 1, please find attached Niagara Peninsula Energy Inc.'s Reply Submission on its Application for Final Disposition of Smart Meter Costs.

We are also filing an updated version of the Smart Meter Model Version 4.0 in live Excel format.

Please contact myself should anything further be required, I can be reached at 905-353-6004.

Sincerely,



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2014 ELECTRICITY DISTRIBUTION RATES

Niagara Peninsula Energy Inc.

**Application for Final Disposition and Recovery of
Costs Related to Smart Meter Deployment**

EB-2013-0359

Niagara Peninsula Energy Inc.'s Reply Submission

February 10, 2014

INTRODUCTION

Niagara Peninsula Energy Inc. ("NPEI") is a licensed electricity distributor serving customers within the City of Niagara Falls, the Town of Lincoln, the Township of West Lincoln and the Town of Pelham. NPEI filed a stand-alone application (the "Application") with the Board on October 10, 2013, seeking Board approval for the final disposition and recovery of costs related to smart meter deployment, offset by Smart Meter Funding Adder ("SMFA") revenues collected from May 1, 2006 to April 30, 2012. NPEI requested approval of proposed Smart Meter Disposition Riders ("SMDRs") and Smart Meter Incremental Revenue Requirement Rate Riders ("SMIRRs") effective February 1, 2014 and May 1, 2014, respectively. The Application is based on the Board's policy and practice with respect to recovery of smart meter costs.

THE APPLICATION

Approvals Sought

In the original Application, NPEI applied for the following approvals:

- Smart Meter Disposition Rider (SMDR) – rate rider of (\$0.04) per Residential customer per month and \$2.32 per General Service less than 50kW customer per month effective February 1, 2014.
- Smart Meter Incremental Revenue Requirement Rate Rider (SMIRR) – rate rider of \$0.90 per Residential customer per month and \$1.53 per General Service less than 50kW customer per month effective May 1, 2014.

Updated Evidence

Board staff filed interrogatories on December 11, 2013 and VECC filed its interrogatories on December 12, 2013. NPEI filed responses to both Board staff and VECC's interrogatories on January 14, 2014.

In response to Board staff and VECC interrogatories, NPEI made corrections for the following:

- Based on Procedural Order No. 1, NPEI realized that an effective date of February 1, 2014 was not realistic in terms of timing. NPEI now has requested an effective date of March 1, 2014 for its SMDR. NPEI updated Tabs 9 and 10A of the Smart Meter Model to reflect the newly requested date of March 1, 2014 (i.e. 1.25 to 1.666667). NPEI updated the interest rate on Tab 8 of the Smart Meter Model, which calculates funding adder revenues as per the response to Board staff interrogatory #6.
- NPEI entered the percentage of Smart Meter Funding Adder revenues collected from the General Service > 50kW class in the amount of 1.71% as per response to Board staff interrogatory #7.

In response to Board staff and VECC interrogatories, NPEI filed a revised smart meter model and class-specific SMDRs and SMIRRs to reflect the corrections noted above. The resulting class-specific SMDRs and SMIRRs are given in the tables below, for the Residential and GS < 50 kW classes respectively.

	Residential			
	Per original Application		Revised for Interrogatory Responses	
Rate Rider	Proposed Effective Date	Amount (\$ per month)	Proposed Effective Date	Amount (\$ per month)
SMDR	February 1, 2014	(0.04)	March 1, 2014	-
SMIRR	May 1, 2014	0.90	May 1, 2014	0.90

	General Service < 50 kW			
	Per original Application		Revised for Interrogatory Responses	
Rate Rider	Proposed Effective Date	Amount (\$ per month)	Proposed Effective Date	Amount (\$ per month)
SMDR	February 1, 2014	2.32	March 1, 2014	2.53
SMIRR	May 1, 2014	1.53	May 1, 2014	1.53

Board staff filed its Final Submission on January 31, 2014. VECC filed its Final Submission on February 7, 2014.

This is the Reply Submission of NPEI. Each issue, as mentioned by Board staff and VECC in their respective Final Submissions, is addressed below.

Smart Meter Pilot Project

Board staff interrogatories #2 and #3 noted that on Tab 2 of the Smart Meter Model, NPEI included \$37,457 in 2006 and \$5,665 in 2007, totaling \$43,122 for installation costs, and \$25,434 in 2006 for operating costs. Board Staff noted that NPEI was not authorized to begin the installation of smart meters until 2008 and asked NPEI to explain the nature of these costs.

In its interrogatory responses, NPEI explained that these costs were incurred by Peninsula West Utilities ("PenWest") (one of NPEI's predecessors) and relate to a Smart Meter pilot project.

In its Final Submission, Board staff noted:

"Board staff is unsure about the nature and authorization of this pilot project. It is uncertain, based on the record of this case or a review of PenWest's previous rate applications in 2005 EDR and 2006 EDR as to whether these costs were part of PenWest's third tranche Market Adjusted Revenue Requirement ("MARR") Conservation and Demand Management ("CDM") initiatives or of some other pilot project authorized by the Government or by the Board."

Board staff observed that pre-authorization of smart meter installations have been dealt with in two previous Board decisions regarding smart meter cost

recovery; COLLUS Power Corp. (EB-2012-0017) and Peterborough Distribution Inc. (EB-2012-0008) ("PDI").

Board staff submitted:

"NPEI may wish clarify the nature of and the authorization of PenWest's pilot project in 2006-2007. In the absence of a clear explanation that the smart meter pilot project was authorized in accordance with ss. 1.(1) 1. and 2. of O.Reg. 427/06, Board staff submits that the Board could consider treatment similar to what the Board determined in the case of PDI (i.e. to disallow costs prior to being authorized for smart meter installations in accordance with O.Reg. 427/06 associated with the early purchase and installation of these smart meters installed during the pilot project)."

In its Final Submission, VECC stated:

"NPEI's smart meter model includes installation costs and operating expenses in 2006 and 2007 related to a smart meter pilot project. Board Staff in its submission notes that NPEI was not authorized to begin the installation of smart meters until 2008. VECC supports Board Staff submissions on this issue, i.e. in the absence of a clear explanation from NPEI that the smart meter pilot project was authorized, the Board should consider not allowing the recovery of these early costs."

The employees of the former Peninsula West Utilities who would have detailed knowledge of the Smart Meter Pilot Project are no longer employed by NPEI. Further, after searching internal records and the Board's e-filing system, NPEI has not been able to locate any documents that would provide additional evidence as to the nature of the Pilot Project or specific authorizations. Therefore, NPEI proposes to remove these costs from the amount requested for recovery through this Application for Final Smart Meter Cost Recovery.

NPEI notes that the capital cost of \$43,122 associated with the Pilot Project formed part of the Smart Meter capital balance that was transferred to rate base (to Account 1860 - Meters) as at June 30, 2010, as part of NPEI's 2011 COS Application (EB-2010-0138). Accordingly, NPEI has been recovering the cost of these meters in rates since 2011, and has recorded depreciation on this balance, which has been recorded in Account 2105 – Accumulated Depreciation of Electric Utility Plant – Property, Plant and Equipment. The amount of accumulated

depreciation that has been recorded in Account 2105 on the gross amount of \$43,122 as at December 31, 2012 is \$7,187 resulting in a Net Book Value of \$35,935 as shown in the depreciation schedule below:

Peninsula West Utilities Smart Meter Pilot Project Costs								
Capital moved to rate base at June 30, 2010								
Useful Life = 15 years								
As at December 31, 2012								
	2009	2010	2011	2012	2013	TOTAL		
Cost		43,122.45	-	-	-	43,122.45	Total Accumulated Depreciation	Net Book Value
2009						-	-	
2010		(1,437.42)				(1,437.42)	(1,437.42)	41,685.04
2011		(2,874.83)	-			(2,874.83)	(4,312.25)	38,810.21
2012		(2,874.83)	-	-		(2,874.83)	(7,187.08)	35,935.38
2013		(2,874.83)	-	-	-	(2,874.83)	(10,061.91)	33,060.55
2014		(2,874.83)	-	-	-	(2,874.83)	(12,936.74)	30,185.72
2015		(2,874.83)	-	-	-	(2,874.83)	(15,811.57)	27,310.89
2016		(2,874.83)	-	-	-	(2,874.83)	(18,686.40)	24,436.06
2017		(2,874.83)	-	-	-	(2,874.83)	(21,561.23)	21,561.23
2018		(2,874.83)	-	-	-	(2,874.83)	(24,436.06)	18,686.40
2019		(2,874.83)	-	-	-	(2,874.83)	(27,310.89)	15,811.57
2020		(2,874.83)	-	-	-	(2,874.83)	(30,185.72)	12,936.74
2021		(2,874.83)	-	-	-	(2,874.83)	(33,060.55)	10,061.91
2022		(2,874.83)	-	-	-	(2,874.83)	(35,935.38)	7,187.07
2023		(2,874.83)	-	-	-	(2,874.83)	(38,810.21)	4,312.24
2024		(2,874.83)	-	-	-	(2,874.83)	(41,685.04)	1,437.41
2025		(1,437.42)	-	-	-	(1,437.42)	(43,122.45)	-
Total	-	(43,122.45)	-	-	-	(43,122.45)		

Therefore, to remove these costs from NPEI's capital accounts, the following entry has been booked as at January 1, 2013:

USoA Account	Description	Dr	Cr
1555	Smart Meter Capital and Recovery Offset Variance Account, Sub-account Stranded Meter Costs	35,935	
2105	Accumulated Depreciation of Electric Utility Plant - Property, Plant and Equipment	7,187	
1860	Meters		43,122

NPEI has not removed the Pilot Project capital costs of \$43,122 from Tab 2 of the Smart Meter Model, as they are already deducted on Tab 4 of the Smart Meter Model as part of the \$4,175,010 balance that was transferred to rate base. The table below shows the smart meter capital amounts from Tab 2 of the Smart Meter Model which make up the \$4,175,010 balance that was transferred to rate base in NPEI's 2011 COS Application:

Capital Costs	2006	2007	2008	2009	2010	Total
1.1 ADVANCED METERING COMMUNICATION DEVICE (AMCD)	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual
1.1.1 Smart Meters				1,153,992	2,301,675	3,455,667
1.1.2 Installation Costs	37,457	5,665		63,251	271,630	378,004
1.1.3a Workforce Automation Hardware						0
1.1.3b Workforce Automation Software					21,058	21,058
Total Advanced Metering Communications Devices (AMCD)	\$ 37,457	\$ 5,665	\$ -	\$ 1,217,244	\$ 2,594,363	\$ 3,854,729
1.2 ADVANCED METERING REGIONAL COLLECTOR (AMRC) (includes LAN)	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual
1.2.1 Collectors				143,246		143,246
1.2.2 Repeaters						0
1.2.3 Installation				70,398	23,587	93,985
Total Advanced Metering Regional Collector (AMRC) (Includes LAN)	\$ -	\$ -	\$ -	\$ 213,644	\$ 23,587	\$ 237,231
1.3 ADVANCED METERING CONTROL COMPUTER (AMCC)	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual
1.3.1 Computer Hardware						0
1.3.2 Computer Software						0
1.3.3 Computer Software Licences & Installation						0
Total Advanced Metering Control Computer (AMCC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.4 WIDE AREA NETWORK (WAN)	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual
1.4.1 Activation Fees						0
Total Wide Area Network (WAN)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1.5 OTHER AMI CAPITAL COSTS RELATED TO MINIMUM FUNCTIONALITY	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual
1.5.1 Customer Equipment						0
1.5.2 AMI Interface to CIS					2,250	2,250
1.5.3 Professional Fees	8,949	9,017		27,543	6,771	52,279
1.5.4 Integration						0
1.5.5 Program Management						0
1.5.6 Other AMI Capital				21,021		21,021
Total Other AMI Capital Costs Related to Minimum Functionality	\$ 8,949	\$ 9,017	\$ -	\$ 48,564	\$ 9,021	\$ 75,550
Total Capital Costs Related to Minimum Functionality	\$ 46,406	\$ 14,683	\$ -	\$ 1,479,451	\$ 2,626,971	\$ 4,167,510
1.6 CAPITAL COSTS BEYOND MINIMUM FUNCTIONALITY	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Actual
1.6.1 Costs related to technical capabilities that exceed those specified in O.Reg 425/06						0
1.6.2 Costs for deployment of smart meters to customers other than residential and small general service						0
1.6.3 Costs for TOU rate implementation, CIS system upgrades, web presentation, integration with the MDM/R, etc.					7,500	7,500
Total Capital Costs Beyond Minimum Functionality	\$ -	\$ -	\$ -	\$ -	\$ 7,500	\$ 7,500
Total Smart Meter Capital Costs Transferred to Rate Base in 2011 COS Application	\$ 46,406	\$ 14,683	\$ -	\$ 1,479,451	\$ 2,634,470	\$ 4,175,010

To remove the operating expenses of \$25,434 associated with the Pilot Project, NPEI has booked the following entry as at December 31, 2013:

USoA Account	Description		Dr	Cr
5065	Meter Expense		25,434	
1556	Smart Meter OM&A Variance Account			25,434

NPEI has removed \$25,434 in 2006 operating expense from Tab 2 of the Smart Meter Model. NPEI is submitting a revised Smart Meter Model in live Excel format along with this Reply Submission.

Prudence of Smart Meter Costs

The following tables summarize NPEI's capital costs per meter and overall costs per meter, as amended for the removal of the Peninsula West Pilot Project operating costs as discussed above.

Average Capital Cost per Meter – Final Reply Submission

Smart Meter Capital Costs, Includes Costs Exceeding Minimum Functionality	6,088,399
Remove Smart Capital Costs Exceeding Minimum Functionality	(193,248)
Smart Meter Capital Costs, Excludes Costs Exceeding Minimum Functionality	5,895,151
Number of Meters Installed	51,366
Average Capital Cost per Meter, Includes Costs Exceeding Minimum Functionality	\$ 118.53
Average Capital Cost per Meter, Excludes Costs Exceeding Minimum Functionality	\$ 114.77

Average Total Cost per Meter – Final Reply Submission

Smart Meter Capital Costs, Includes Costs Exceeding Minimum Functionality	6,088,399
Remove Smart Capital Costs Exceeding Minimum Functionality	(193,248)
Smart Meter OM&A Costs, Includes Costs Exceeding Minimum Functionality	1,576,798
Remove Smart OM&A Costs Exceeding Minimum Functionality	(298,470)
Total Smart Meter Costs, Excludes Costs Exceeding Minimum Functionality	7,173,479
Number of Meters Installed	51,366
Average Cost per Meter, Includes Costs Exceeding Minimum Functionality	\$ 149.23
Average Cost per Meter, Excludes Costs Exceeding Minimum Functionality	\$ 139.65

As Board staff explained in its Final Submission, the Board issued the Monitoring Report, Smart Meter Investment – September 2010 (“the Monitoring Report”) on March 3, 2011. The Monitoring Report summarized the total smart meter related investments of 78 distributors, as of September 30, 2010, and showed an average cost of \$226.92 per smart meter.

Board staff submitted:

“Board staff observes that NPEI’s costs are below the average costs identified in the Monitoring Report. Given the fact that NPEI’s per meter costs do not exceed values shown in the Monitoring Report, Board staff takes no issue with the nature or quantum of NPEI’s reported per meter costs.

Board staff observes that NPEI was authorized to deploy smart meters under O. Reg. 427/06 as amended by O.Reg. 238/08 in accordance with the London Hydro RFP process. NPEI complied with the regulation and the London Hydro RFP process for the procurement of smart meters and associated equipment and for services to install and operate the smart meters and associated equipment. As such, Board staff considers that the documented costs are prudent.”

In its Final Submission, VECC stated:

“Aside from the comments above regarding smart meter pilot costs in 2006 and 2007, VECC submits that NPEI has provided adequate documentation on the nature and quantum of its smart meter costs. On this basis, VECC takes no issue with respect to the prudence of NPEI’s incurred smart meter costs.”

NPEI concurs with Board staff and VECC that NPEI’s documented costs, as amended, are prudently incurred and in accordance with regulation.

Costs Beyond Minimum Functionality

In its Final submission, Board staff noted:

“NPEI’s Application included a request to recover \$193,248 in capital costs and \$298,470 in OM&A costs beyond minimum functionality, as defined in the combined proceeding related to Smart Meters (EB-2007-0063). These costs include CIS system upgrades, TOU implementation, web presentment, bill presentment and integration with MDM/R. NPEI noted that all costs claimed in its Application are incremental and have been incurred only for the purpose of implementing the TOU and Smart Meter programs. Board staff takes no issue with the nature or quanta of NPEI’s documented costs above minimum functionality.”

VECC submitted:

“NPEI incurred costs exceeding minimum functionality for TOU rate implementation, CIS system upgrades, web presentment, bill presentment and integration with MDM/R. NPEI confirms these costs were incremental costs required to implement the smart meter program and to facilitate a functioning TOU system, otherwise they would not have been incurred.

VECC notes NPEI’s costs beyond minimum functionality represent approximately \$9.57 per customer (\$193,248 capital + \$298,470 OM&A)/51,366). In Bluewater Power’s smart meter recovery application EB-2012-0263, Bluewater Power noted that the average claim of 14 smart meter recovery applications filed in the last six months at that time, for costs beyond minimum functionality, is approximately \$11.84 per customer. NPEI’s costs beyond minimum functionality compare favourably to this average. VECC considers NPEI’s costs beyond minimum functionality to be reasonable and in accordance with the Board’s Guideline G-2011-0001.”

NPEI agrees with the comments of Board staff and VECC, and submits that NPEI’s documented costs above minimum functionality should be approved for disposition.

Operational Efficiencies

In its Final Submission, Board Staff stated:

“In response to VECC interrogatory #2, NPEI stated that it has not yet performed any analysis relating to cost savings from smart meter implementation, and therefore has not identified any preliminary operational savings at this time. As indicated in its Application, NPEI proposes to address this issue in its next cost of service application. Board staff takes no issue with NPEI’s proposal.”

In its Final Submission, VECC stated:

“VECC submits NPEI has provided sufficient information in VECC IR#1 on the benefits of collaborating with other LDCs and agrees with NPEI submissions that the sharing of information and resources would have resulted in savings and a more efficient process. NPEI indicates that it has not performed any analysis relating to cost savings from smart meter implementation but plans to address this issue in its next Cost of Service Rate Application. VECC notes that this approach is consistent with the approach taken by other distributors who have filed recent smart meter cost recovery applications.”

NPEI submits that the issue of operational efficiencies resulting from smart meter implementation should be addressed in its 2015 COS Application, consistent with other recent smart meter recovery applications.

Accounting Issues – Stranded Meters

In its Application, NPEI noted that its stranded meter balance, as at December 31, 2012, is \$1,617,308, which represents the net book value of stranded meters. NPEI also stated that it is planning to file a cost of service application for 2015 rates, and that stranded meter costs will be addressed in that application.

In its Final Submission, Board staff noted that NPEI’s proposal to address the issue of stranded meter costs in its 2015 COS Application is consistent with Guideline G-

2011-0001. However, Board staff would like to address the accounting of NPEI's stranded meters in this current Smart Meter Application.

In response to Board Staff interrogatory #1, NPEI explained that it had not continued to record depreciation expense on stranded conventional meters subsequent to transferring the net book value to the sub-account of Account 1555. However, NPEI noted that it has now made an entry in 2013 to record the appropriate amount of depreciation expense on the stranded conventional meters for the period July 1, 2010 to December 31, 2013 of \$196,738.

The amount of \$196,738 represents depreciation on meters that were stranded after June 30, 2010, and were therefore not removed from NPEI's rate base as part of the 2011 COS Application.

NPEI further explained that the balance of the stranded meter sub-account of Account 1555 as at June 30, 2010 was \$1,189,293. This amount was removed from rate base in NPEI's 2011 COS Application. NPEI noted that no further depreciation expense has been recorded on the balance of \$1,189,293.

In its Final Submission, Board staff stated:

"Board staff notes however that until its rebased distribution rates from its 2011 cost of service application came into effect, NPEI was recovering the return on capital and depreciation expense."

VECC submitted:

"NPEI has recorded stranded meter costs in a sub-account of Account 1555. NPEI will address the recovery of stranded meter costs in its next cost of service application, which is scheduled for rates effective May 1, 2015. NPEI indicates that the net book value of stranded meters of \$1,189,293 that was recorded as of June 30, 2010 was removed from rate base in NPEI's 2011 cost of service application (EB-2010-0138). VECC supports the Board Staff's submissions regarding the accounting treatment of NPEI's stranded meters in this application."

Upon review of Board staff's submission, NPEI agrees that an additional amount of depreciation should be recorded on the balance of \$1,189,293 for the period

July 1, 2010 to December 31, 2010. This reflects that fact that NPEI recovered depreciation on this balance in rates from the time that the meters were stranded (June 30, 2010) until NPEI rebased (January 1, 2011). NPEI has now recorded, in 2013, additional depreciation on stranded meters of \$69,204 to account for this period.

As explained above, in order to remove the costs associated with Peninsula West Utilities' Smart Meter Pilot Project from NPEI's capital accounts, an additional amount of \$35,935 has now been recorded in the stranded meter sub-account of Account 1555, representing the net book value of these meters as at December 31, 2012. The depreciation expense on the additional stranded amount is \$2,875 per year. Accordingly, NPEI has recorded an additional \$2,875 of stranded meter depreciation in 2013.

In response to Board staff interrogatory #1, NPEI indicated that it expects to record depreciation expense on stranded meters of \$56,211 in 2014. Therefore, NPEI now expects that $\$56,211 + \$2,875 = \$59,086$ of depreciation expense will be recorded on stranded meters in 2014.

NPEI now projects that the balance of the stranded meter sub-account as at December 31, 2014 will be \$1,653,243 (NBV of stranded meters) less \$327,902 (total depreciation expense on stranded meters) = \$1,325,341.

Details are shown in the table below:

Stranded Meters	Stranded 2009	Stranded Jan June 2010	NBV of meters stranded at June 2010	Stranded July - Dec 2010	Stranded 2011	Stranded 2012	Stranded Jan 1, 2013	NBV of meters stranded after June 2010	Total Stranded
Number of Meters	5,454	28,828	34,282	11,131	3,313	132		14,576	48,858
Cost	631,140	3,163,008	3,794,148	1,220,749	236,260	141,557	43,122	1,641,689	5,435,837
Accumulated Depreciation	(400,378)	(2,204,477)	(2,604,855)	(893,894)	(173,002)	(103,655)	(7,187)	(1,177,738)	(3,782,593)
Net Book Value	230,762	958,531	1,189,293	326,855	63,259	37,902	35,935	463,951	1,653,243
Average # of Years Remaining	9	8.5		8	7	6	12.5		
Depreciation per Year	25,640	112,768		40,857	9,037	6,317	2,875		
Net Book Value of Meters Removed from Rate Base at June 30, 2010					1,189,293				
Net Book Value of Meters Stranded after June 30, 2010					463,951				
Total NBV of Stranded Meters					<u>1,653,243</u>				
Depreciation Expense:									
2010 (July to Dec) on meters removed from Rate Base	= (25,640 + 112,768) * 0.5				69,204				
2010 (July to Dec)	= (40,857 + 9,037 + 6,317) * 0.5				28,105				
2011	= 40,857 + 9,037 + 6,317				56,211				
2012	= 40,857 + 9,037 + 6,317				56,211				
2013	= 40,857 + 9,037 + 6,317 + 2,875				59,086				
Adjustment Made to Depreciation Expense in 2013					268,817				
2014	= 40,857 + 9,037 + 6,317 + 2,875				59,086				
Total Depreciation Expense on Stranded Meters					<u>327,902</u>				
Total Stranded Meter balance to be included in 2015 COS Application	Projected Balance as at December 31, 2014				<u>1,325,341</u>				

Cost Allocation and Calculation of Smart Meter Rate Riders

In this Application, NPEI is proposing class specific SMDRs and SMIRRs for the Residential and General Service less than 50kW classes, based on the methodology approved by the Board in PowerStream's 2011 Smart Meter Disposition Application (EB-2011-0128).

In its Final submission, VECC stated:

"VECC notes the average cost of an installed smart meter for a GS<50 kW customer is approximately three times greater than the cost to install a smart meter for a residential customer. VECC submits the only way to avoid undue cross

subsidy between customer classes is to calculate class specific rate riders that reflect the full costs for each customer class. VECC accepts that NPEI does not have the cost data by rate class to complete smart meter models by customer class based on full cost causality. VECC accepts NPEI's cost allocation methodology as a proxy for revenue requirement with one exception. VECC submits that as a matter of principle, the \$41,548 in SMFA revenues collected from the GS 50 to 4,999 kW customer class should be returned to this customer class instead of a 50:50 allocation between the residential and GS<50 kW customer classes."

With respect to VECC's proposal that the SMFA revenues collected from the GS 50 to 4,999 kW class be returned to that class, NPEI notes that the Board has not accepted similar proposals by VECC in several other Smart Meter Cost Recovery Applications.

In the Decision and Order to Waterloo North Hydro Inc.'s Smart Meter Cost Recovery Application (EB-2012-0266), dated October 4, 2012 (Corrected October 12, 2012), the Board stated:

"The Board notes that VECC has made a similar submission in other applications for recovery of smart meter costs, beginning with PowerStream's 2010 smart meter application. In prior cases, the Board has not accepted VECC's proposal to return SMFA revenues to metered customer classes that do not receive smart meters, and will not do so with respect to this Application. As stated in prior decisions, larger demand-metered customers may benefit from the universal deployment of smart meters and implementation of TOU rates to lower consumption customers, and the Board views that the amounts are not material on per customer basis."

NPEI submits that similar reasoning applies in this current Application. The amount of SMFA revenue collected by NPEI from the GS 50 to 4,999 kW class per customer is not material, and therefore the 50:50 allocation between the Residential and GS < 50 kW classes is appropriate.

Board staff made no submission on NPEI's cost allocation methodology or calculation of the rate riders.

Conclusion

The updated class-specific SMDRs and SMIRRs proposed by NPEI are given in the tables below, for the Residential and GS < 50 kW classes respectively.

	Residential			
	Per original Application		Revised for Interrogatory Responses and Reply Submission	
Rate Rider	Proposed Effective Date	Amount (\$ per month)	Proposed Effective Date	Amount (\$ per month)
SMDR	February 1, 2014	(0.04)	March 1, 2014	(0.04)
SMIRR	May 1, 2014	0.90	May 1, 2014	0.90

	General Service < 50 kW			
	Per original Application		Revised for Interrogatory Responses and Reply Submission	
Rate Rider	Proposed Effective Date	Amount (\$ per month)	Proposed Effective Date	Amount (\$ per month)
SMDR	February 1, 2014	2.32	March 1, 2014	2.49
SMIRR	May 1, 2014	1.53	May 1, 2014	1.53

In its Final Submission, Board staff stated:

“Subject to the above comments, Board staff submits that NPEI’s Application is consistent with Guideline G-2011-0001, reflects prudently incurred costs and is consistent with Board policy and practice with respect to the disposition and recovery of costs related to smart meter recovery.”

NPEI submits that its smart meter costs have been prudently incurred, and are consistent with Board policy, practice and regulation, and that this Smart Meter Application is consistent with Guideline G-2011-0001. Accordingly, NPEI requests that its smart meter costs and corresponding rate riders, as amended for Interrogatory Responses and Reply Submission, be approved as proposed.

All of which is respectfully submitted.